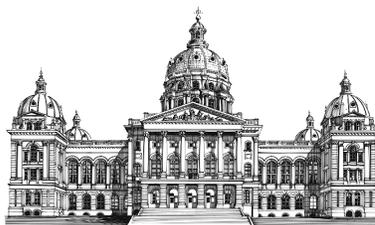

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Iowa's Economic Growth

ISSUE

This *Issue Review* examines the growth in Iowa's Gross State Product (GSP) since 1977 and compares Iowa with neighboring plains states and the nation.

AFFECTED AGENCIES

Iowa Department of Economic Development

BACKGROUND

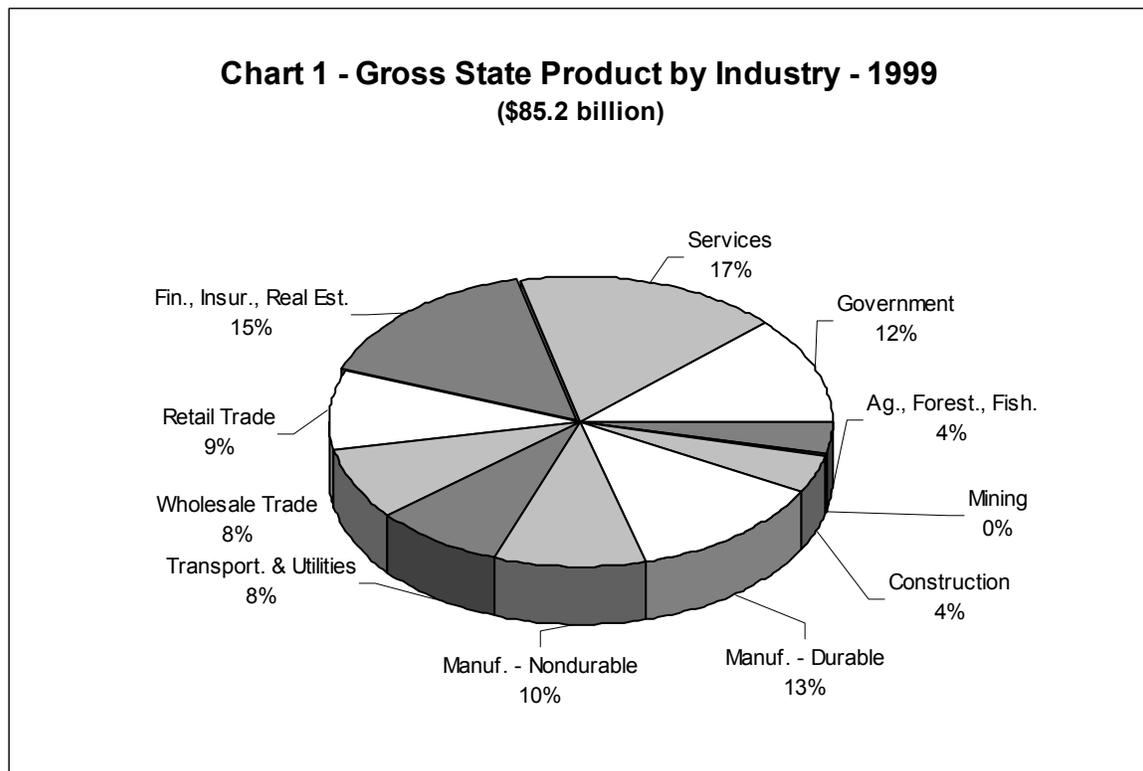
The Gross State Product (GSP) is, in concept, the value added by economic activity. It is equivalent to the gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus inputs (consumption of goods and services purchased from other U.S. industries or imported). It is often considered the state's equivalent of the nation's Gross Domestic Product (GDP).

The Gross State Product estimates, as a whole and by industry, were examined from 1977 to 1999 to identify to changes in the Iowa economy. Comparisons were made with the Gross State Product for the nation as a whole and with the plains states (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota). The Gross State Product estimates were obtained from the Bureau of Economic Analysis, U.S. Department of Commerce.

To eliminate growth due to inflation, all dollar amounts were converted to constant 1999 dollars. The inflation conversion factors were obtained from the Political Science Department, Oregon State University. Comparisons were made using the converted 1977 Gross State Product as the base. Economic growth is shown as a percentage of the 1977 Gross State Product, thus providing a standard comparison across years and regions.

CURRENT SITUATION

In 1999, Iowa had a Gross State Product of \$85.2 billion. **Chart 1** shows the distribution of the GSP by major industry category.



Between 1977 and 1999, the relative contribution to the Gross State Product by several industries changed. The proportion of the Gross State Product attributed to agriculture, forestry, and fishing decreased from 11.7% to 3.5% of Iowa's Gross State Product. Manufacturing of durable goods decreased from 16.1% to 12.6% of Iowa's Gross State Product. The industries showing the largest respective gains were services (10.1% to 17.0%), finance, insurance, and real estate (12.1% to 15.1%), and government (10.5% to 12.0%).

Chart 2 shows the 1977 and 1999 Gross State Product categories in terms of constant 1999 dollars. Agriculture, forestry, and fishing Gross State Product decreased \$5.5 billion (64.7%), and durable goods manufacturing Gross State Product decreased \$0.9 billion (7.6%). Services Gross State Product increased \$7.1 billion (97.8%); finance, insurance, and real estate Gross State Product increased \$4.1 billion (46.8%); and government Gross State Product increased \$2.6 billion (34.6%).

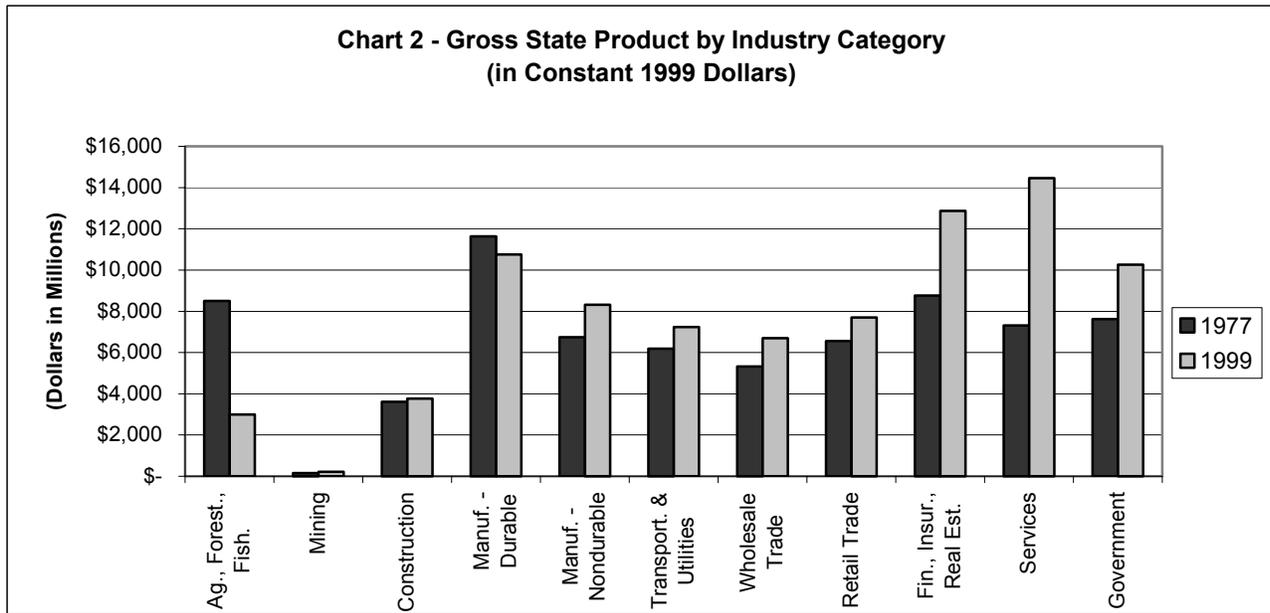
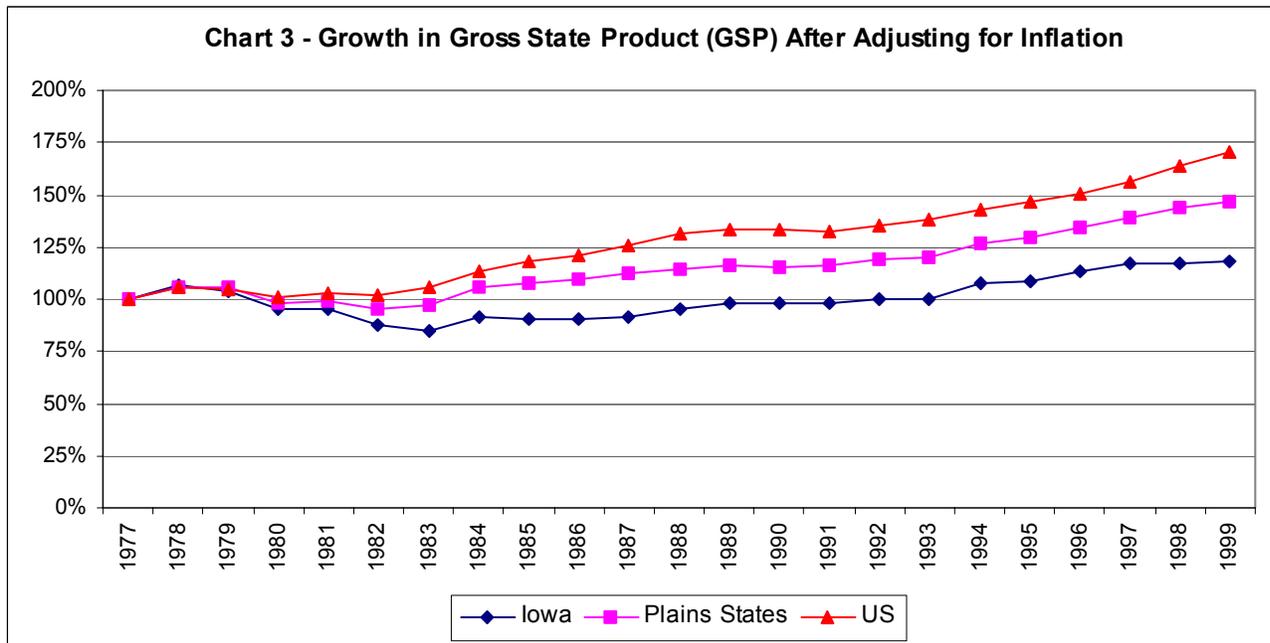
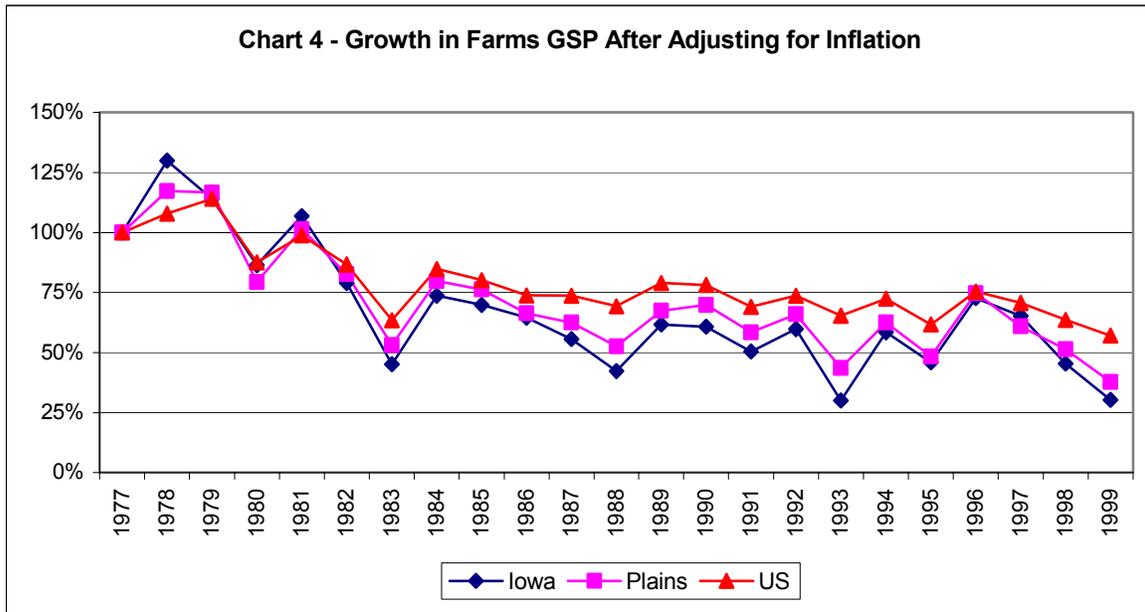


Chart 3 shows the relative growth in total Gross State Product for Iowa, the plains states, and the nation. Between 1977 and 1999, Iowa's economic growth lagged behind the nation and the plains states. The national Gross State Product increased by 70.2% after controlling for inflation; the plains states' Gross State Product grew by 47.1%; and Iowa's Gross State Product grew by 17.7%.



A few of the specific industries that show certain trends will be discussed below. **Chart 4** shows the decline in state product associated specifically with farming. By 1999, the value of the farm production was 30.0% of what it had been in 1977. The plains states had declined to 37.8% of their

1977 level, and nationwide the farming Gross State Product was 57.1% of what it had been in 1977. Stated in constant 1999 dollars, Iowa's farm Gross State Product went from \$8.2 billion in 1977 to \$2.5 billion in 1999. The plains states declined from \$31.6 billion to \$11.9 billion, while the national Gross State Product went from \$130.0 billion to \$74.2 billion.



Iowa's growth rates in insurance and in amusements and recreation exceeded those of both the nation and the plains states. **Chart 5** shows the growth associated with Iowa insurance carriers increased by 164.3%. In terms of constant 1999 dollars, the 1977 Gross State Product value for insurance carriers was \$1.1 billion, which declined to \$0.7 billion in 1985, and then grew to \$2.8 billion in 1999.

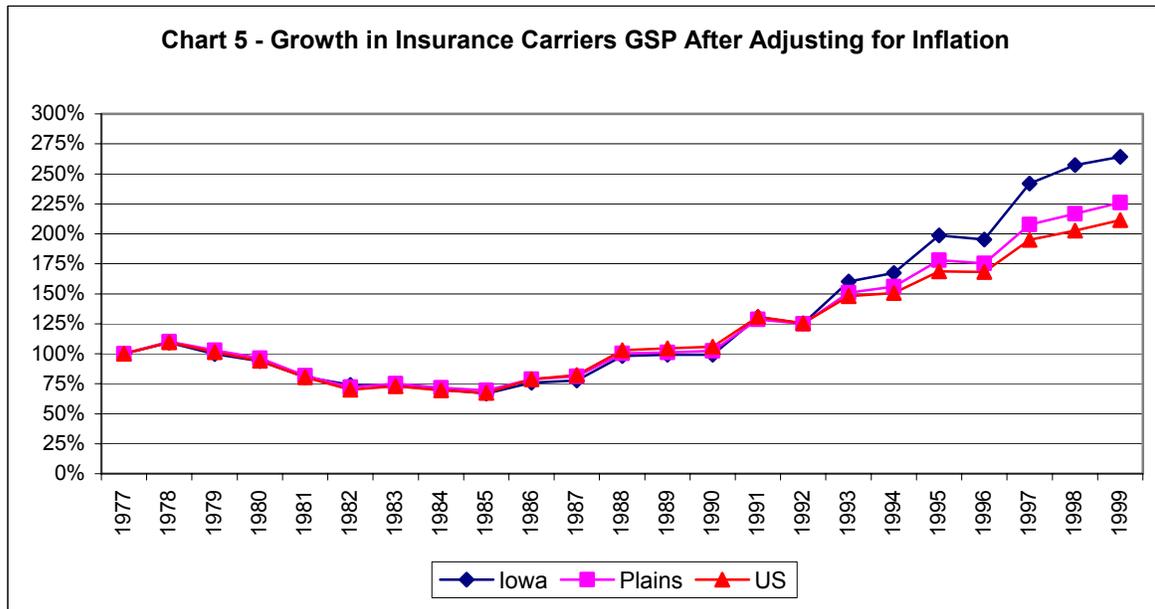
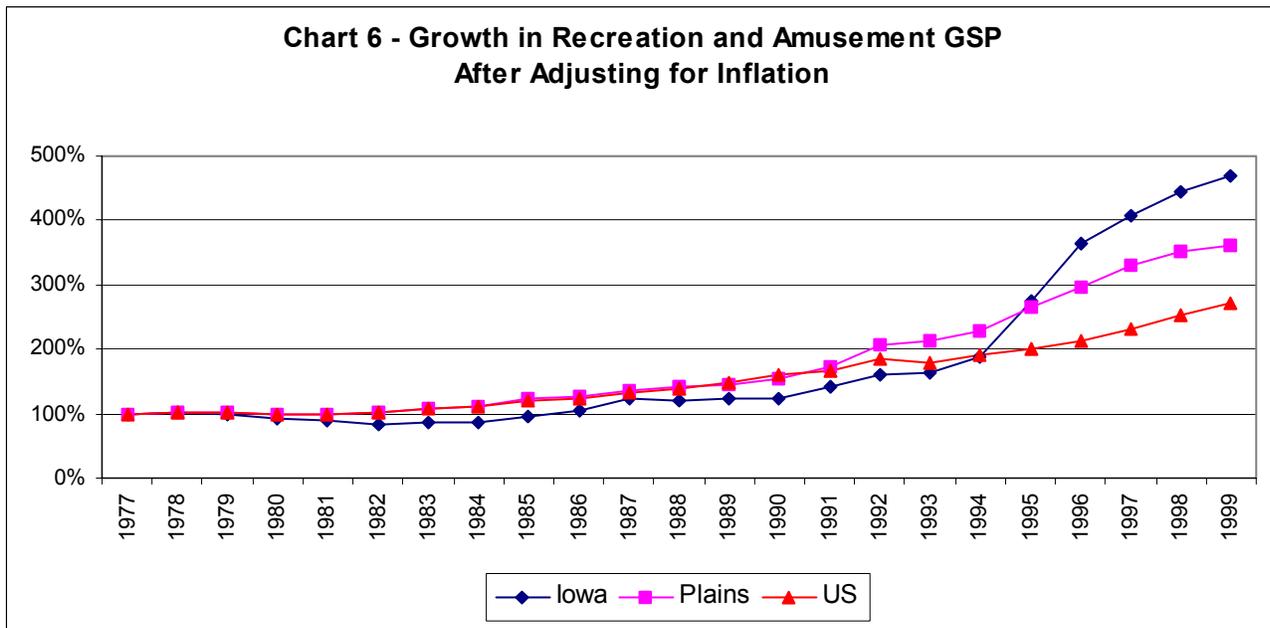
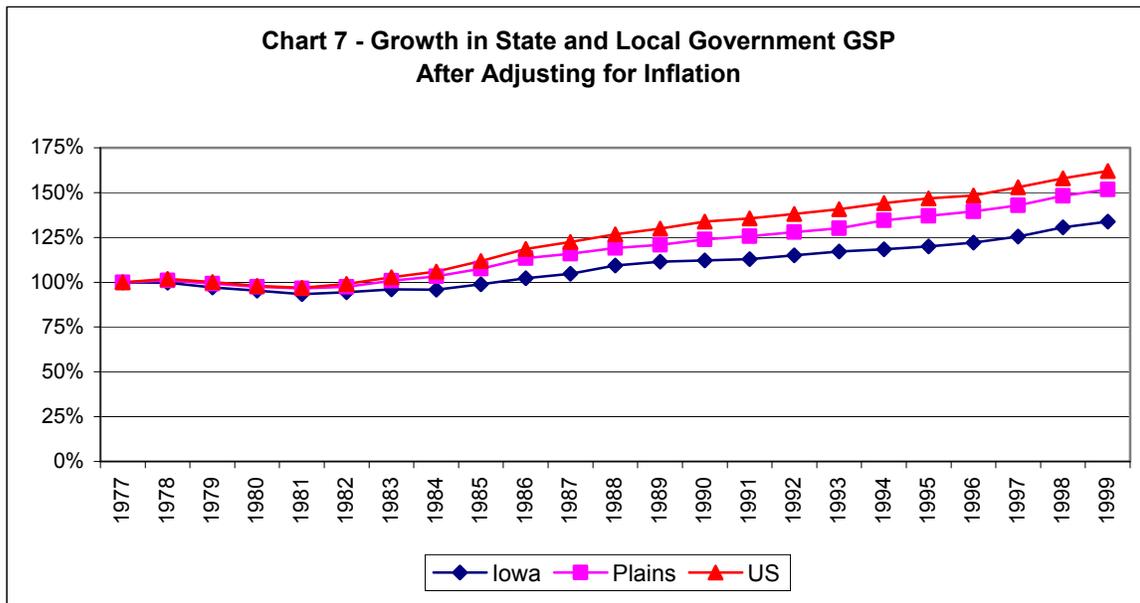


Chart 6 shows that the Gross State Product associated with amusements and recreation increased by 369.8%, while the plains states' amusements and recreation Gross State Product increased by 261.4%, and the national Gross State Product increased by 170.4%. In terms of constant 1999 dollars, the Iowa Gross State Product for amusements and recreation decreased from \$193.0 million in 1977 to \$163.0 million in 1982 and then increased to \$906.0 million in 1999.



Between 1977 and 1999, Iowa's state and local government Gross State Product grew slower than either the plains states or the national state and local government Gross State Product, but it grew

faster than the Iowa private industries Gross State Product. **Chart 7** shows that the Iowa Gross State Product associated with state and local government increased by 33.8%, while the plains states increased by 51.7%, and the nation as a whole increased by 62.0%. In constant 1999 dollars, Iowa's state and local government Gross State Product grew from \$6.3 billion to \$8.4 billion. If Iowa's state and local government Gross State Product had grown at the same rate as the plains states, it would have equaled \$9.6 billion in 1999. At the national Gross State Product rate, it would have equaled \$10.2 billion. If instead, Iowa's state and local government Gross State Product had grown at the same rate as all private industry (15.7%), then the state and local government Gross State Product would have equaled \$7.3 billion in 1999.



Attachment A contains charts showing the growth in Gross State Product for the industry categories that were not discussed above.

In summary, Iowa's Gross State Product, overall and by industry category, generally follows the same pattern as the national and the plains states Gross State Products, however Iowa lags behind the nation and the plains states in economic growth.

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Gross State Product by Industry Category

